FACT SHEET
Good Neighbor Plan for the 2015 Ozone NAAQS

Prorating Emissions Budgets, Assurance Levels, and Unit-Level Allowance Allocations in the Event of an Effective Date After May 1, 2023

On March 15, 2023, the U.S. Environmental Protection Agency (EPA) issued its final Good Neighbor Plan, locking in significant reductions in ozone-forming emissions of nitrogen oxides (NO_X), and benefitting millions of people living in downwind communities. The Good Neighbor Plan ensures that 23 states meet the Clean Air Act's "Good Neighbor" requirements by reducing pollution that significantly contributes to problems attaining and maintaining the 2015 Ozone National Ambient Air Quality Standards (NAAQS) in downwind states. Beginning in the 2023 ozone season, EPA will include power plant sources in 22 states in a revised and strengthened CSAPR NO_X Ozone Season Group 3 Trading Program.[1] The 22 states include twelve states already covered by the Group 3 trading program, seven states transitioning from the CSAPR NO_X Ozone Season Group 2 trading program, and three states not currently covered by any CSAPR trading program for seasonal NO_X emissions.

The EPA expects that the effective date of this rule will fall after the start of the Group 3 trading program's 2023 control period on May 1, 2023, because the effective date of the rule will be 60 days after the date of the final rule's publication in the **Federal Register**. The EPA is addressing this circumstance by determining the amounts of emissions budgets for the 2023 control period on a full-season basis in the rulemaking and by also including provisions in the revised regulations to prorate the 2023 full-season amounts as needed to ensure that no sources become subject to new or more stringent regulatory requirements before the final rule's effective date. Variability limits, assurance levels, and unit-level allocations for the 2023 control period will all be computed using the appropriately prorated emissions budgets amounts.

The main elements of the prorating provisions are summarized below:[2]

In the case of the states (and Indian country within the states' borders) whose sources currently do not participate in any CSAPR trading program for seasonal NO_X emissions – Minnesota, Nevada, and Utah – the sources will begin to participate in the Group 3 trading program as of the rule's effective date.

- For these states, the EPA has computed the full-season emissions budgets that would have applied for the entire 2023 control period if the final rule was in effect for the entire 153-day control period from May 1, 2023, through September 30, 2023. Assuming that the final rule becomes effective after May 1, 2023, the EPA will determine prorated emissions budgets for the 2023 control period

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[1] The 22 "Group 3 states" are Alabama, Arkansas, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wisconsin.

[2] For a complete description of the prorating provisions, refer to section VI.B.12.a. of the preamble for the final Good Neighbor Plan. For official regulatory text on prorating state emission budgets, unit-level allocations, variability limits, and assurance levels, refer to 40 CFR 97.1010.

by multiplying each full-season emissions budget by the number of days from the rule's effective date through September 30, 2023, dividing by 153 days, and rounding to the nearest allowance.

In the case of the states (and Indian country within the states' borders) whose sources currently participate in the Group 3 trading program – Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Virginia, and West Virginia – the sources will continue to participate in the Group 3 trading program for the 2023 control period, with prorated emissions budgets designed to ensure that the changes in 2023 emissions budgets and assurance levels will not substantively affect the sources' requirements prior to the rule's effective date.

- For these states, the EPA has computed the full-season emissions budgets that would have applied for the entire 2023 control period if the final rule had become effective no later than May 1, 2023, but the EPA has also retained in the regulations the full-season emissions budgets for the 2023 control period that were established in the Revised CSAPR Update rulemaking. The emissions budgets promulgated in the Revised CSAPR Update will apply on a prorated basis for the portion of the 2023 control period before the final rule's effective date and the emissions budgets established in this rulemaking will apply on a prorated basis for the portion of the 2023 control period on and after the final rule's effective date. Specifically, the EPA will determine a blended emissions budget for each state for the 2023 control period, computed as the sum of the appropriately prorated amounts of the state's previous and revised emissions budgets. (For example, if the final rule becomes effective on the eleventh day of the 153-day 2023 control period, the blended emissions budget will equal the sum of 10/153 times the previous emissions budget plus 143/153 times the revised emissions budget, rounded to the nearest allowance.)

In the case of the states (and Indian country within the states' borders) whose sources currently participate in the Group 2 trading program – Alabama, Arkansas, Mississippi, Missouri, Oklahoma, Texas, and Wisconsin – the sources will begin to participate in the Group 3 trading program as of May 1, 2023, with prorated emissions budgets designed to ensure that the transition from the Group 2 trading program to the Group 3 trading program will not substantively affect the sources' requirements prior to the rule's effective date.

- The prorating procedures for these states mirror the procedures for the states currently in the Group 3 trading program, except that because no emissions budgets previously appeared in the Group 3 trading program regulations for the states that are currently covered by the Group 2 trading program, the EPA has added two sets of emissions budgets for these states to the Group 3 trading program regulations: first, the states' emissions budgets for the 2023 control period that currently appear in the Group 2 trading program regulations, which are being included in the revised Group 3 trading program regulations to represent the states' emissions budgets for the portion of the 2023 control period before the rule's effective date, and second, the emissions budgets for the 2023 control period established for the states in this rulemaking, which are being included in the revised Group 3 trading program regulations to represent the state's emissions budgets for the portion of the 2023 control period on and after the rule's effective date.

After the rule is published in the **Federal Register**, the EPA will post an updated version of the "Unit-level allocations and underlying data for the final rule" spreadsheet showing the prorated emissions budgets and the calculations of unit-level allocations of allowances from the prorated emissions budgets and will provide public notice of the updated spreadsheet's availability.

For questions concerning the prorating of emissions budgets for the 2023 control period, please contact csapr@epa.gov.